

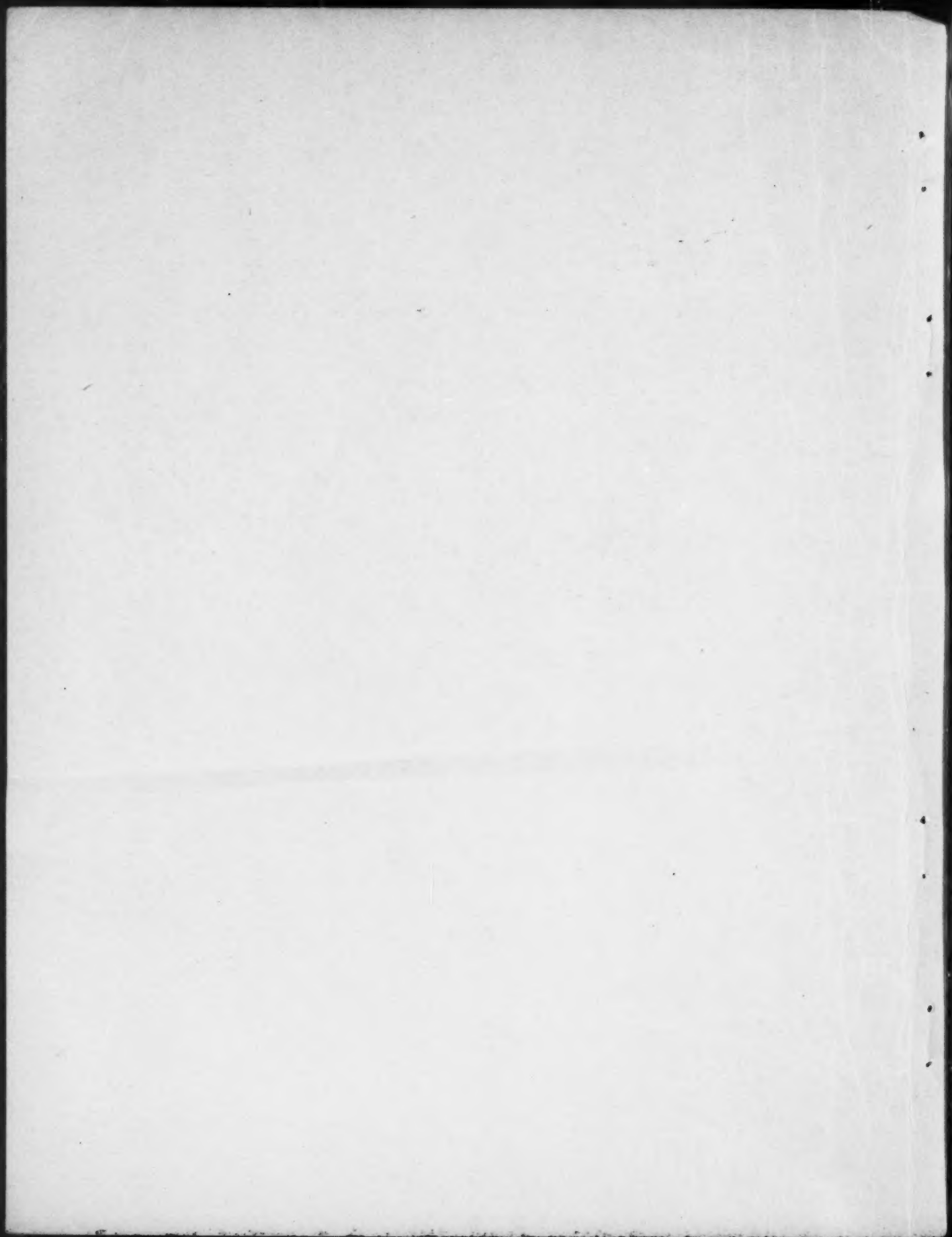
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ACADEMY OF MANAGEMENT

PROCEEDINGS OF ANNUAL MEETING

1952

Chicago, Illinois



ACADEMY OF MANAGEMENT
Proceedings of Annual Meeting

1952

Chicago, Illinois

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Vice President, Franklin E. Folts, Harvard University

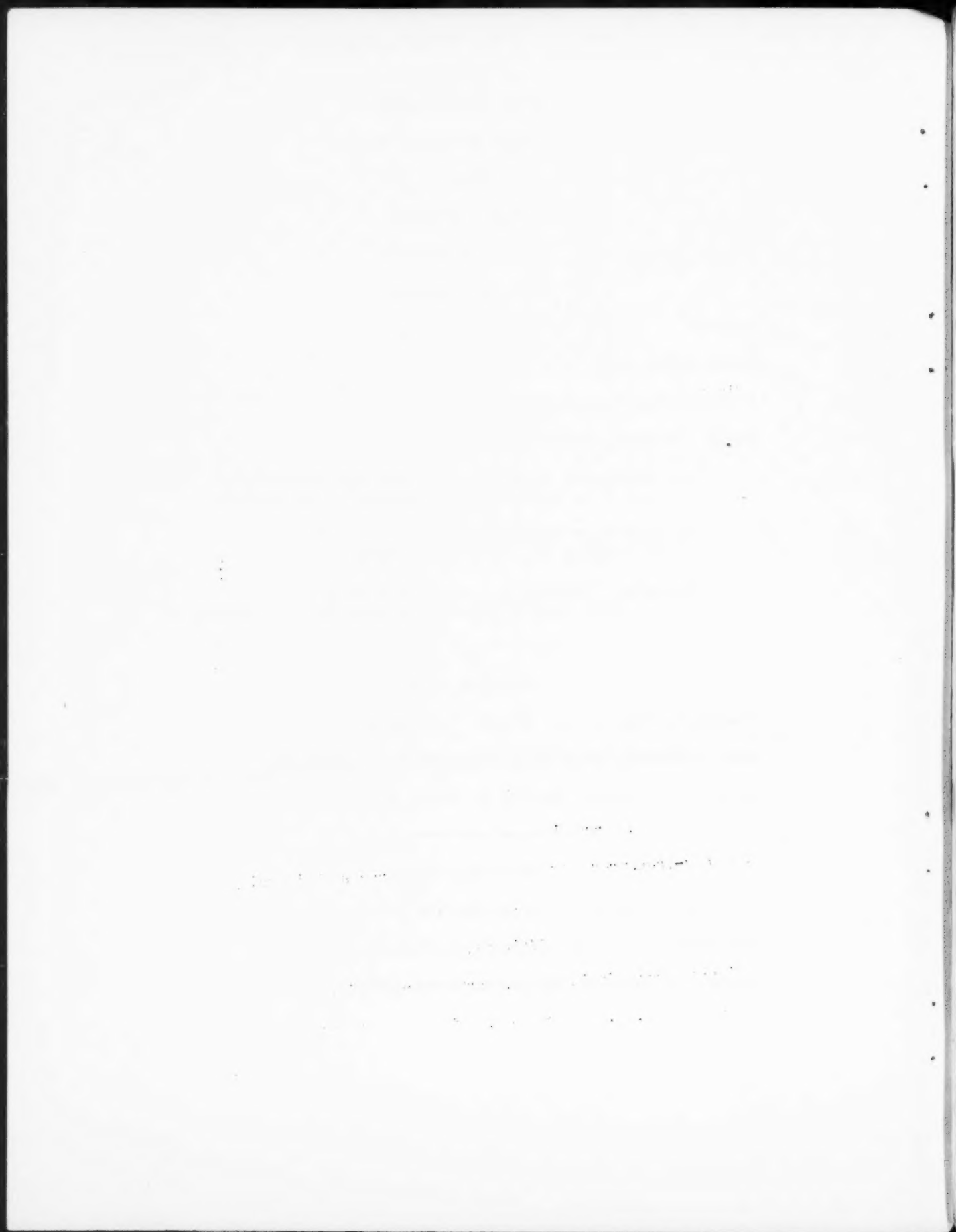
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Officers, 1953

President, Franklin E. Folts, Harvard University

Vice President, W. R. Spriegel, University of Texas

Secretary-Treasurer, Maurice C. Cross, Syracuse University.



MINUTES OF ANNUAL MEETING

ACADEMY OF MANAGEMENT

December 30, 1952

Chicago, Illinois

President Mee opened the business meeting at 3:20 p.m. The minutes of the Boston meeting of December 27, 1951, which had been previously circulated to the members of the Academy were approved. The treasurer's report, which had been previously prepared and circulated, was read and approved. The following committee reports were submitted:

MEMBERSHIP (Professor Franklin Moore reporting) During the year members of the Academy were asked to submit names of possible candidates for election to membership. There were thirty names suggested for regular membership and ten for associate membership. This list was submitted to the executive committee for action, prior to the annual meeting. Considerable discussion of the difficulties involved in the selection of candidates for election to membership followed. Dean Balderston moved to drop the consideration of associate members for the present. (Second by Professor Filipetti). Carried. It was further proposed by Professor Shuman that a separate committee be appointed to make an analysis of membership qualification procedure, etc., said committee to make a report to the membership by mail at an early date.

FINANCE (Professor Schwenning reporting) No report excepting continuing progress. Professor Jamison moved (second by Reyer) that the finance committee be given power to reimburse the treasurer for his expenses incident to attending the annual meeting, above those paid by his sponsoring university. The matter was submitted to the incoming executive committee for further consideration and action.

RESEARCH AND PUBLICATION No report. The secretary was instructed to publish the proceedings of the 1952 annual meeting.

PROGRAM Professor Folts made some comments, thanking Professor Terry and Northwestern University for their hospitality in entertaining the members of the Academy at their annual meeting. The secretary was directed to send letters of appreciation to President J. Roscoe Miller, Northwestern University, and Acting Dean Ernest C. Davies of the School of Commerce, Professor Terry, Professor Moore and Professor Towle.

President Mee commended Professor Folts on the quality of the program which his committee prepared and on his skill in conducting the meeting.

President Mee announced the election of the following officers for the year 1953:

President	Franklin E. Folts
Vice President	W. R. Spriegel
Secretary Treasurer	Maurice C. Cross

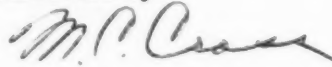
It was moved by Professor Shuman (second by Professor Rogers) that the Academy of Management accept the invitation of the Council for Professional Education for Business to become associated with that organization and that the Council be so informed. Motion Carried.

The president of the Academy was requested to write to Mr. Fred Maytag II thanking him for his participation in the program of the annual meeting.

It was agreed that the next annual meeting be held at the time and place proposed by the American Economics Association and allied professional societies but not to conflict with the meetings of the I. R. R. A.

The meeting adjourned at 4:34 p.m.

Submitted by

A handwritten signature in dark ink, appearing to read "M. P. Crass". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Secretary-Treasurer

Registration List
Academy of Management, 1952

Abramount, Israel	University of Wisconsin
Balderston, C. C.	University of Pennsylvania
Bosch, Leon	Northwestern University
Bossart, Tom R.	Indiana University
Brown, Alvin	Johns-Manville
Bryan, Stanley E	University of Washington
Cross, Maurice C	Syracuse University
Davis, Keith	Indiana University
Davis, Ralph	Ohio State University
Dutton, H. F.	Retired
Fetter, Robert B.	Indiana University
Filipetti, G	University of Minnesota
Folley, W. C	Wayne University
Folts, F. E.	Harvard University
Goetz, Billie	Antioch College
Grambsch, Paul V.	Tulane University
Harrison, F. R.	Ohio State University
Healey, J. H.	Ohio State University
Hellebrandt, E. T.	Ohio University
Hoagland, John H.	Michigan State College
Jamison, C. L.	University of Michigan
Keller, Louis A.	Lake Forrest College
Kubly, Harold E	University of Wisconsin
Lay, Chester F.	Southern Methodist University
Leib, Karl E.	State University of Iowa
Luck, Thomas J.	University of Florida
Mandeville, M. J.	University of Illinois
Martin, Philip E	Miami University (Ohio)
Maytag, Fred	The Maytag Company
Mee, John F.	Indiana University
Meyer, Fred J.	State University of Iowa
Moore, Franklin	Northwestern University
Neff, Judson	University of Chicago
Newman, William	Columbia University
Peterson, Elmore	University of Colorado
Puff, Harold E.	Miami University (Ohio)
Ragan, Philip H.	Harvard Business School
Rahardt, Karl G.	Ohio State University
Reyer, Karl D.	Louisiana University
Rogers, Barrett	Northwestern University
Schwenning, G. T.	University of North Carolina
Shuman, Ronald B.	University of Oklahoma
Simonds, Rollin H.	Michigan State College
Snider, J. W.	Indiana University
Spriegel, W. R.	University of Texas
Terry, George R.	Northwestern University
Wallace, R. F.	University of Mississippi
Williams, Edgar	Indiana University
Wrape, H. E.	University of Chicago

ACADEMY OF MANAGEMENT

Committees - 1953

Executive Committee

Maurice C. Cross, Syracuse University
Franklin E. Folts, Harvard University
Billy E. Goetz, Antioch College
Franklin G. Moore, Northwestern University
G. T. Schwenning, University of North Carolina
W. R. Spriegel, University of Texas

Program Committee

Jack Spriegel, University of Texas, Chairman
Robert P. Brecht, University of Pennsylvania
Julius Seidl, Fordham University

Membership Committee

Franklin Moore, Northwestern University, Chairman
Paul E. Holden, Stanford University
George Filipetti, University of Minnesota
E. H. van Delden, New York University

Finance Committee

G. T. Schwenning, University of North Carolina, Chairman
E. H. Anderson, University of Alabama
Victor Karabasz, University of Miami
Karl Reyer, Louisiana State University

Publications and Research Committee

Billy Goetz, Antioch College, Chairman
Alvin Brown, Johns-Manville Products Corporation
Carroll Wilson, Champion Paper and Fibre Company

Nominating Committee

Ralph Davis, Ohio State University, Chairman
Elmore Peterson, University of Colorado
Julius Seidl, Fordham University

Special Committee on Membership

John Mee, Indiana University, Chairman
Franklin Moore, Northwestern University
Ralph Davis, Ohio State University
William Newman, Columbia University
C. L. Jamison, University of Michigan
Ronald Shuman, University of Oklahoma

DOES MANAGEMENT TEACHING NEED A MEDICAL EXAMINATION?

By: Dean C. C. Balderston

Now that management teaching has reached middle life, prudent policy dictates periodic medical examinations by impartial diagnosticians. Or, perhaps it may prove more practical to engage in some searching self-examination and self-criticism. In that process, my role will be that of questioner and critic, to ask figuratively whether management imbibes too much, has bulges in the wrong places, and has become fat of heart or head.

It is high time to make a diagnosis, because management has been a separate teaching discipline in certain colleges for about a half-century and has been discussed by professional societies for nearly three-score years and ten. It is therefore mature, at least in years.

A complete examination would cover what phases of management are taught and by what methods, wherever such teaching goes on. It would include, not only collegiate schools of business but schools of engineering; not only the conferences, seminars, and workshops of professional societies but the executive development programs of corporations. Moreover, a thorough appraisal would involve an examination on the spot as to the teaching methods used. This discussion, however, will pertain only to collegiate schools of business and to their offerings as revealed by their catalogs.

Even this cursory attack on the problem involved many hours of analysis by Mr. Raymond Rawls, one of our graduate students interested in management teaching, and by my colleagues Walter Murphy and Dr. Robert P. Brecht. Mr. Rawls examined the bulletins of 66 schools of business, both graduate and undergraduate, in order to find out what is being taught by them as revealed by course descriptions. The latter differ widely in their completeness. Some promote the courses in glowing and impressive terms; some present the topics to be discussed in detail; some merely indicate the mission to be accomplished. A few bulletins indicate related courses in other schools and departments of the University; most do not. And so if you are adequately forewarned, the diagnosis will proceed by examining a series of questions.

Questions to guide the self-examination

First, does the instruction stress an understanding of principles and of the problems of their application, rather than the mere description of routines and methods?

Second, does the teaching of management impart the comprehension of it as an integrated whole, or does it emphasize the mastery of specialized phases only?

Third, is the teaching of policies and principles linked either to real experience or to vicarious experience obtained through field trips and actual business problems presented in class?

Fourth, are business and personnel management teaching so combined that students will look upon them as two sides of the same coin, and will not forget that nearly all management problems involve human considerations?

Fifth, to what extent are the minds of the students disciplined by problem-solving as distinct from the memorizing of facts, definitions, and lists.

Sixth, are students taught to view the world and its problems with objectivity and humility before the truth?

You will note that the first three questions have to do with course content; the last three, with the philosophy and skill of the teacher.

The Examination

The first question, relating to the teacher of principles rather than mere descriptive matter, can be answered in part by a look at the management texts in use. No one doubts that they should include procedural descriptions to make students understand how a principle or policy may be applied. The real question is whether the texts go beyond this essential minimum and are so padded with descriptive matter as to hide the real fundamentals. Pertinent also is the correlary: do teachers, in guiding class discussions and in framing examination questions, emphasize important points of policy and principle, using examples and problems only to illustrate and clarify. In short, do management teachers separate the more significant from the less.

The second question deals with the perennial problem of how to offset specialization, which grows apace, with the requisite degree of integration. Specialization has been at once a strength and a weakness of instruction in business administration as a whole. It has caused teachers to study more intensively and has thus enriched the literature. It has enabled students to master with some completeness a restricted area of study and has increased the marketability of college students. It has fostered the exchange of information among those who hold management jobs for it facilitates conferences of specialists in purchasing, quality control, wage administration, and so forth.

The extent of specialization can be judged from the following figures as to the percentage of schools offering courses in each subdivision of the subject. Of the major phases of management,

Production management is offered in	67%
Financial management is offered in	56%
Marketing management is offered in	91%
Office management is offered in	67%*

Courses in all four of these major phases are taught by 24% of the colleges; three of them by 44%; two by 17%; and one phase alone by 15%.

Of the minor phases of management such as credit management, property management, purchasing management, or traffic management, only 23% did not offer at least one, and about the same percentage offered two courses and three courses. Figures are not available for such minor phases as layout, wage administration, procurement and inventory control, but specialized courses in these subdivisions are very common and 53% of the institutions offer laboratory work, or courses without benefit of laboratory, in time and motion study.

It is in the management of particular industries, however, that specialization is most extreme. Management of specific industries includes airlines, airports, banks, trade associations, farms, hotels, insurance agencies, public utilities, radio, real estate, restaurants, retail drug stores, railways, steamships, newspapers and even weekly newspapers. Only 14% of the schools do not offer at least one such course; 20% do offer one; 17% offer two and three respectively; and as many as 8 or 9 courses are not unknown in a single institution. Herein lies a problem that may well give faculties concern. Certainly colleges should be cooperative with industry and its trade associations, but they must at all costs retain their role as institutions of learning. The question is how far they should permit their fundamental education to be overlaid with this mosaic of specialization.

The desire of both teachers and students for specialized courses may inhibit the development of understanding as to how functions are interrelated. Perhaps a

* Office management is classified as "major" because of its pervasive nature.

complete solution requires not only a bird's-eye view of management at the outset, but continuing efforts, through problems, case instruction and other devices, to leave the student with a well-rounded understanding of management as a whole. A fundamental course, which covers the general field of management, is offered by 80 to 90% of the collegiate schools of business. It is evident, therefore, that schools do not offer specialized courses without first introducing their students to the general subject. Moreover, about two-thirds of the schools (63%) offer courses called business or industrial or management policy that, properly taught, may serve to integrate the knowledge of students by breaking down the barriers between the specialized phases of management.

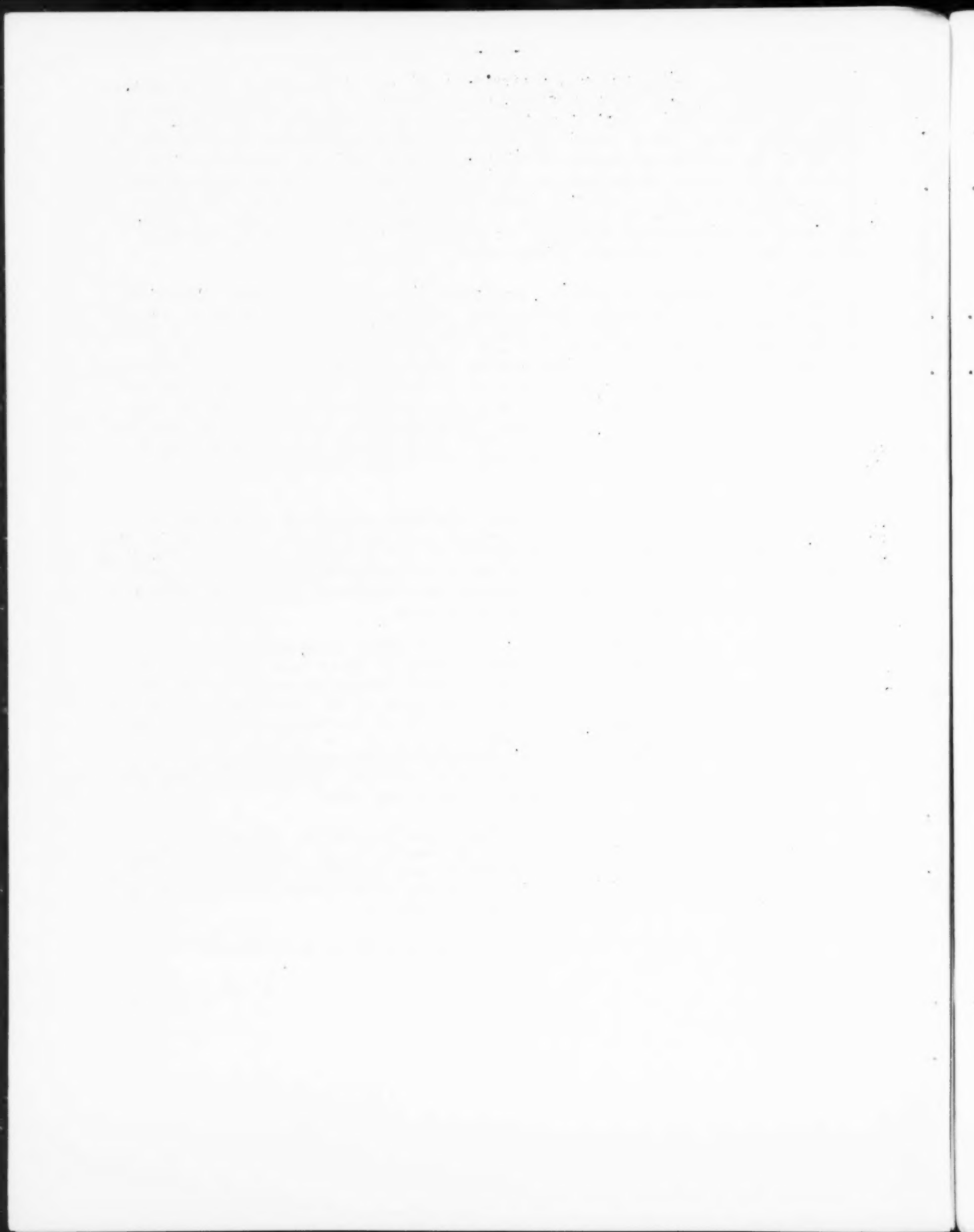
The third question pertains to the degree to which students feel a sense of reality, - that the discussion touches base often enough so that it is an extension of their own experience. Only a quarter (27%) of the schools mention field trips in their catalogs, but many doubtless take trips from time to time that their bulletins do not reveal. Still more employ cases and problems to provide experience with problem solving and the application of principles. Students taken into the field can observe with their own eyes what goes on in factories and stores, but experience can be introduced into class discussions only by teachers who have had the opportunity to observe business at first hand, and who can not only observe with discrimination but appraise what they observe and there dramatize for the class what is significant.

In those business schools that teach industrial relations, courses may be available in the institution without necessarily being taken by students of management; or, teachers of the latter may neglect the human aspects of mechanization, of changes in production schedules, and of other management decisions. Or, students in labor economics may not comprehend generalized management at all, and thus lack the integrated understanding that makes for wisdom.

The fifth question pertains to the extent to which management students are trained to solve problems, or to make applications of their book knowledge. One answer is to be found in the time and motion study laboratories utilized by 38% of the schools. Still another answer is to be found in the thesis required of 76% of graduate schools. It may be regretted that 20% of the business schools require no thesis of their graduate students, but criticism will be tempered by the recollection that many Arts and Science Master's degrees are also granted without a thesis. At the undergraduate level, schools of business, perhaps for reasons of expense, do not require a formal thesis in 95% of the cases.

In closing I will merely repeat my final question without discussing it, except to say the answer can be found only in the hearts and consciences of these who teach. The question implies that teachers have opportunities to stress ethical standards by word and deed, and the responsibility to safeguard freedom of thought and expression. This sixth question I leave unanswered.

Are students taught to view the world and its problems with objectivity and humility before the truth?



MANAGEMENT PROBLEMS IN A COLD WAR ECONOMY

(A talk before the Academy of Management
On December 30, 1952, in Chicago by Ralph C. Davis)

General Nature of the Problem

A "cold war economy" has not been defined officially. It is one, apparently, that must support psychological and economic warfare against an enemy, and some limited military warfare, while maintaining concurrently the normal rate of improvement in the living standards of the population. The business organization is basically an economic institution. Business management is the function of executive leadership within a business organization. It is obvious that the solution of managerial problems in a cold-war economy would be difficult, even though a relatively static military situation were to continue. It appears doubtful at this time, that a static situation will continue.

The primary objective of the business organization is an economic service, under the American system of free enterprise. The business organization is expected to supply the public with whatever goods and services are required to satisfy the public's legitimate needs and desires. These values must be supplied in the required quantity and quality. They must be made available when and where they are needed. They must be supplied at a competitive price. A profit is a reward of capital for a successful acceptance of business risk in rendering such an economic service with due regard for the general public interest. The right to a profit flows logically, under these conditions, from the right of private property. The corresponding obligation is the responsibility for a continuous contribution to a steadily increasing standard of living for all of our citizens.

Editorial comments in the public press and public pronouncements by political leaders suggest that a substantial majority of our citizens desire a continuance of the free enterprise system. These people feel, and rightly in the opinion of this speaker, that they can enjoy a higher standard of living under such a system, with a greater measure of individual freedom, than they can under some highly-developed socialistic system of production and distribution. This poses a problem that is beyond the ability of the executives in any single business organization to solve in a cold-war economy: The economic values produced and distributed by industry and business must be divided between the logistical support of a peace-time economy and a war-time economy. Recent comments in the public press suggest that between 80 per cent and 90 per cent of our gross national product may go for peace-time operations; between 10 per cent and 20 per cent for war-time operations during 1953. There is, of course, no way of estimating accurately what the future division of our gross national income will be. The distribution of governmental expenditures merely indicate the proportionate burden on the tax-payer. They do not establish the relative impact of war-time operations on our economy, or the importance of national security to the nation. They point up, nevertheless, the general nature of management problems in a cold-war economy: A satisfactory discharge of the peace-time obligation of private industry to an increasing standard of living requires a condition of economic decentralism, based on the right of private property. A war-time economy requires a condition of economic centralism, and a restriction of the right of private property, to cope with a national emergency. The latter requirement simulates temporarily a condition of state capitalism. A temporary condition of economic centralism can easily become permanent, if business and industrial leaders do not accept their responsibility for the economic education of their employees and the public. A permanent condition of economic centralism would defeat the political objectives of a democratic society, for which we have been fighting the cold war. The public is more interested, usually, in its short-run interests than in its long-run welfare. It is frequently possible that a centralized, governmental control of the economy may produce greater immediate benefits for

the people than some form of economic decentralism. The contributions of a free economy are greater ultimately, but they tend to be long-run benefits. A public demand for a return to a free economy, following operation under some degree of war economy, depends considerably on an understanding of the long-run benefits of a free economy. It depends also on confidence in the ability and willingness of executive leadership in our business organizations to accomplish the objectives of the free enterprise system.

The Public's Interest in Management

The references to business management in the public press, and editorial comments concerning it, suggest a growing interest in the work of management. This is due probably to press notices of executive malfeasance in office, publicity concerning labor-management disputes, instances of attempts to influence legislators and governmental executives to gain special privileges that may not be in the public interest, and other unfavorable publicity concerning business management. It may not be truly representative of the general level of conduct of business operations. It might as well be, however, if the public believes that it is. The speaker would like to believe that this growing interest stems from a growing realization that the work of business management is the work of executive leadership in an industrial economy; that executive leadership in business organizations becomes increasingly important in the operation of an industrial economy, with increasing economic, social and political decentralization.

It is evident that some brief comment on the work of management is a necessary introduction to any comments on cold-war management problems. Students of business are agreed that the work of management includes the functions of planning, organizing and controlling the action of an organization in the accomplishment of its objectives. The experts begin to disagree, beyond this point. Some of them prefer to differentiate command, direction, coordination, evaluation or some other sub-function from the basic management function of control. We shall assume for the purposes of this discussion that the basic management functions are creative planning, organizing and controlling, as indicated. The term creative planning, as used here, includes the original determination of objectives and the bases of action for their accomplishment. Organizing includes the work of providing the general, underlying conditions that are necessary for the execution of the plan. It is obvious that in general these conditions should be supplied before execution begins. Controlling includes the work of regulating and coordinating action to assure that it proceeds to a satisfactory accomplishment of designated objectives. It is evident that it requires the imposition of some constraints on the action of subordinate leaders and their groups. These constraints should be as broad and as few as possible, however. The responsibility and authority for execution is usually delegated to subordinate echelons, both executive and operative, to the maximum extent that is practicable. The trend in American business management is in the direction of decentralization.

Top Management Planning

Long-range planning is a principal responsibility of top executives. The larger the organization, the more this tends to be the case. An effective performance of this function depends on ability to forecast over a long period of time the volume of business that must be handled. This is approximately equivalent to the economic service that the consuming public will demand from the particular company during that period. The members of this audience realize, but the public may not, that the meaning of the term "long-range" is relative, but not arbitrary. Professional statisticians usually regard forecasts of one year or less as "short-range"; those covering a range between one and five years as "intermediate";

those covering a period of five years or more as long range. Many problems that were long-range in December, 1947, and regarded by many as "theoretical" therefore, are not even short-range problems today. They are here.

The great responsibilities of top executives for long-range planning make it necessary to examine briefly the difficulty of forecasting under present conditions. Anyone who takes the trouble to read the business press regularly is familiar with the principal conditions that have caused the current business boom. These have to do with the pent-up demand for consumer goods that was deferred during the War, large war bond and cash savings that were accumulated during the war, deferred plant and business expansion, governmental inflationary policies, a huge governmental debt, the post-war rearmament boom following Korea, and many others. Sharp differences of opinion begin to develop, however, as we come to the sixty-four dollar question: How high will inflation carry the current cycle and approximately when will it begin to round off and turn down? A majority of business executives and economists appear to feel, at this time, that there will be no appreciable recession during 1953. There are some, however, who feel that a recession may start during the latter part of 1953.

Many business news items and forecasts by recognized authorities have been published during the past two months. A brief run-down of a fair sample will indicate the difficulties that are involved even in short-range forecasting. Those who do not see any substantial recession during 1953 usually stress the following points: In the field of politics, they note increased public confidence in government following the election, the possibility of tax reductions that may stimulate business expansion, a more favorable attitude of government toward business, and a large backlog of public works. (One individual, who had enough prominence to get on a broadcasted town-meeting program recently, assured the public that the Government will not permit a recession. That does it, of course.) In the military field they point to a possible step up in the pace of the cold war, chiefly with respect to more offensive action in Korea, greater military support of Chiang Kai Shek, and increased military aid to Indo-China. They expect that defense expenditures will continue to increase for this reason, but possibly at a decreasing rate, reaching a peak in 1953 or 1954. (It should be noted in this connection that peak military expenditures took approximately 41% of the gross national product during the War; 18-20% since the War up to 1952; approximately 15% during 1952, according to recent estimates.) In the financial field, account is taken of the tremendous credit base that is supplied by the national debt. It is noted that recent political promises of a return to a gold standard already have been shelved. The continuation of installment buying at a high rate is noted. The great purchasing power of the public that results from full employment, plus borrowing, is stressed. (Dollar volumes of mail order and department store sales were well ahead of 1951 up to Christmas.) Some feel that farm price supports and labor price rigidities will sustain this purchasing power. They feel that the maintenance of a nominal, monetary price level can prevent recession, as well as inflation. In the field of labor relations, it is noted that there is no evidence of any union-busting attitude among business leaders, despite the recent defeat of certain political labor leaders; that there is some evidence of a repudiation of the non-economic objectives of political labor leaders by the rank and file of the unions. It is suggested for these and other reasons, that industry will be able to produce without the interruptions and losses from economic warfare between Capital and Labor. Technological progress, supported by cost-reduction programs, continues at a rapid pace. It should continue to support the economy with more goods of better quality at lower costs. In the field of population, the increased birthrate during the 1940's is expected to maintain or increase business growth in many lines during the next ten to twenty years. These and other facts lend strong support to those who see continued prosperity in the immediate future. (The position of some of them might be stronger if they distinguished clearly between short-run and long-run effects.) A brief sample of

opinion favoring continued prosperity during 1953 may be helpful: Speakers at the recent NAM convention apparently saw good business during the first half of 1953. Mr. Gwilym Price anticipates that Westinghouse will enjoy a high level of business during 1953. The Harvard Graduate School of Business Administration sees no business slump during 1953. It expects increasing production. Prices may possibly go lower, however. Fortune and Modern Industry expect good business during the first half of 1953. Prentice-Hall and Babson expect a continuation of the up-trend during the first half of 1953, but a down trend during the last half. Mr. Kiplinger looks farther ahead: He sees the possibility of good business through 1953, declining business during 1954 and perhaps a downward business slide in 1955. All of the above opinions can be documented, up to the date of this talk. They have appeared in the public press. It is presumed that the members of this audience are familiar with them; that no further enlargement of the sample is desirable.

The point of view of those who are less optimistic about the near and long-term future is equally interesting. They expect the policies of the new administration to be mildly inflationary. In the military field, it is believed unlikely that Russia will provoke a hot war in the near future. Secretary Lovett has warned that a lag in NATO defense developments may result in a reduction in congressional appropriations. In the financial field, they question the probability of any appreciable tax reduction during 1953, for a number of reasons. They note that inventories have been leveling off, but they are still high. Bankers have been looking askance at the high level of consumer credit, because its ratio to earned income can quickly become dangerous with any considerable business recession. It is anticipated that interest rates probably will be permitted to seek their own level. Tax exempt bonds reached their peak in 1951, and have been declining irregularly since. They are at or near their lows, but show some signs of leveling off. (The bond index usually leads the peak of a major business cycle by many months.) Foreign trade has been sagging. Most foreign economies are weak. Foreign food production has been increasing due to American machinery and know-how. (It has been reported recently that Turkey has an exportable surplus of 56 million bushels of wheat.) It is expected that American agricultural exports will decline in consequence. U.S. farm purchasing power has declined slightly. (Some expect, however, that governmental price supports will prevent a serious decline in farm prices.) In the field of labor relations, Mr. Reuther of the C.I.O. has announced his support of efforts to reopen contracts with cost-of-living escalator clauses, and his intention to promote the introduction of "guaranteed annual wages" and "co-management". It is suggested by some that this does not augur well for industrial peace, despite the recent elections. In the field of prices, raw materials price indices have been declining for many months. The commodity futures index shows few signs of recovery, following its long decline. The average price reduction in Sears winter catalog was approximately 9%. (Most economists feel, however, that prices should be relatively stable during the first half of 1953.) It is believed that plant expansion has largely been completed. The index of new orders for machine tools has been declining. Another sharp drop was reported on December 24th. It has been estimated that probably we have enough plant capacity to support the cold war and civilian needs too. Sears Roebuck has announced also a curtailment of its expansion program. The principal reason given was high taxes. Economists of the National Association of Purchasing Agents, the International Research Institute, the Econometric Society and other conservative organizations have stated publicly their estimates of the present stage of the current business cycle. They appear to feel that the peak of the current business cycle may have been passed. An article entitled "Deflation's March Passing Some New Milestones" appeared in the Wall Street Journal of December 16th. This would appear to make it official, insofar as the writer of the article was concerned.

This speaker sat recently in a conference for the discussion of planning problems. He was interested greatly by the remarks of a business executive who

questioned the practicality of business forecasting, and then proceeded to forecast. His lack of confidence in forecasting is understandable. The preceding sample of forecasts suggests that competent opinion on either side of the question of a probable recession can be obtained. The record for accuracy of some of our economic statisticians has not been very good. They tend frequently to cover themselves with ambiguities. No business planning is practical, on the other hand, without forecasting. Someone must determine what objectives must be accomplished by some future date before a plan can be developed intelligently. This requires obviously an estimate of the volume of business that must be handled.

Business forecasting and long-range planning have almost become universal functions in large business organizations, for many reasons. The instability and rapid change in a cold-war economy appear to have been important considerations. Some fix on a developing situation that has some accuracy is obviously better than no fix at all. Planning in the latter situation drops to the level of expediency. Exact accuracy in forecasting is not necessary, fortunately. Satisfactory evidence of this is the tendency of the time span covered by long-range planning to increase, rather than decrease. Some successful concerns are making ten-year plans. The principal companies in the Aluminum industry are an example. The speaker has no statistics giving the number of concerns making five-year plans. His contacts and reading suggest that the number would be quite impressive. It is evident, without the benefit of statistical analyses, that the conditions of a cold-war economy increase the need for planning, both short-range and long-range.

These conditions set up a requirement for flexibility in planning, however. It can be satisfied with the tools that are presently available. They are well known to this audience. They include the wealth of business and general economic information that is available today, and tested methods for processing this information into flexible forecasts for general business, the industry and the particular concern. One common device is that of the overlapping forecast: We drop the current time period as we approach its end, and add a corresponding time period to the end of our last forecast. This technique may be applied to five year, annual, and quarterly forecasts. We should have an accurate fix on probable sales volume by product lines, and corresponding expense requirements for the coming month. Flexible planning requires also the development of planning factors. They facilitate the quick adjustment of plans to changing conditions, as well as the original development of a plan. Greater use is being made of high-speed, high-capacity tabulating and computing equipment for planning as well as control purposes. Multiple planning is being used apparently by a few concerns: A plan is set up in some detail for the most probable situation that may develop. Skeleton plans, capable of quick detailed development, are set up for the less probable but possible situations. One concern with which the speaker is acquainted sets up three plans, on the above basis, for the most probable forecast, the maximum forecast and the minimum forecast. Commitment policies depend on what is the current stage of the business cycle. Detailed planning is being decentralized to the operating divisions of the organization, as much as possible, to establish accountability for future results. This does not eliminate the necessity for central plans coordination in the company's general offices. Some of our larger corporations have been developing top management staff groups that are capable of doing a "completed staff job" of planning. These groups are quite small frequently. Their job is to make effective use of technical staff organizations on lower echelons, as indicated above, and to coordinate inter-divisional thinking. It is not their mission to run up our overhead expense.

The hazards in planning in a cold-war economy grew out of the instability and rapid rate of change in the situation. These conditions are not due entirely to the cold war. Technological progress would continue, for example, if the war ended tomorrow, but probably at a reduced rate temporarily. The fact must

be faced, however, that Russia has had the advantage of the initiative in the cold war to date. It is a principle of any planning anywhere that bold use of the initiative reduces the planning of the opposition to the level of expediency. The advantage of the initiative can only be overcome by taking the offensive. It is quite possible that this fact may dominate our business thinking during the years that are immediately ahead.

Organizing In A Cold-War Economy

The speaker has used up most of his time in the preceding discussion of planning problems. There are some problems of organizing, however, that deserve a brief comment.

The function of organizing has been defined as the work of providing, in advance of the execution of the plan, the general factors and conditions that underlie the accomplishment of the mission. Long-range planning is based usually on forecasts of the secular trends of the economy, the industry and the particular company. Long-range plans provide a basis for long-term financing, the provision of reserves of natural resources, the acquisition of plant sites, the provision of research facilities for technological competition, organizational planning and development, and other action that depends on more fundamental considerations than those having to do with current developments and our current position in the business cycle. The Russians are noted for their five-year plans, but less for their execution of these plans. It is unwise, nevertheless, to underestimate their ability. Their plans will affect greatly the long-range planning of many American business concerns. It may be desirable to hold long-range commitments to a minimum, except where reserves of natural resources are concerned.

Organizing for the development of new product, the provision of new manufacturing capacity, executive development, and provisions for the handling of certain other problems, may be affected greatly by our position in the business cycle. It is the function of intermediate planning usually to provide solutions for such problems. Such plans cover periods of two to four years, inclusive. Seasonal variation is not a major factor, obviously, but cyclical and secular change are. The summary of conditions and forecasts, given above, suggests that something is expected to happen in the cold war, one way or another, within the next five years. Multiple planning for the intermediate period becomes something more than an academic concept, if this is the case. We may have to write off part of the cost of organizing when the general factors and conditions that have been provided for the execution of intermediate plans prove to be inapplicable to a rapidly changing situation. A policy of accelerated depreciation may be good business, with or without tax exemption.

Short-range planning is considered usually to cover a period of one year or less. The work of organizing, in many manufacturing industries, is closely associated with the introduction of annual models of product. Marketing organizations may be affected by seasonal variations in demand. Organizing for the execution of short-range plans, in any industry, usually involves short-term financing, current organizational changes, the provision of initial inventories, re-training activities and many others. We must deal, in an industrial organization, with the provision of initial tooling, changes in plant and plant layout, and other general factors and conditions underlying the manufacture of a new model. A sudden cold-war development could present us with demands for an increased allocation of plant capacity to military production, with distortions in our labor markets, with material shortages, and with other headaches that are too well known to require comment, or it could present us with the reverse situation. It does not follow that we must handle these problems in the most expedient manner, when and as they arise. We may have seen them coming, if we have been able to do a satisfactory job

of intermediate and long-range planning.

Controlling Business Operations In A Cold-War Economy

The control of operations for the execution of plans presents many problems. This group is familiar with them. It might be well to note that we have many good books dealing with production control, quality control, inventory control, cost control and other aspects of operative control. We have a very limited number of books that pay much attention to administrative control, except in the field of budgetary control. Yet top administrative management is the function that is most concerned with long-range and intermediate planning. Some administrative control of programs for the execution of such plans is necessary. Elaborate and expensive "systems" for such control are unnecessary and undesirable. It is suggested that further study of this area of control by students of management would be very helpful.

Conclusions Concerning Management Problems In A Cold-War Economy

It is believed that we are entering a period that will be more trying for business executives, rather than less, despite the recent change in our national administration. Increased competition probably will be added to the uncertainties of a cold-war economy. It is granted that a good control of business activities at every organizational level is necessary. It is felt, however, that survival during the years immediately ahead will depend very much on good planning. It is suggested that a major management problem in the cold-war economy is the development of adequate facilities and techniques for such planning.

The wisdom with which solutions of our economic problems are developed may determine the continuance of our free enterprise system. Governmental executives, educators, and the representatives of group interests can help or hinder the development of sound solutions. It is believed, however, that business and industrial executives must accept the principal responsibility for such solutions, under any system of economic decentralism. This responsibility must be individual, but subject to general public policy.

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